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11 Proposed Attorneys for Fairfax Hotel, LLC

12 UNITED STATES BANKRUPTCY COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

15 In re:
16 FAIRFAX HOTEL, LLC,
17 a California Limited Liability Company
18 Debtor-in-Possession.

Case No.: 22-30593

Chapter 11

STATUS CONFERENCE REPORT

Date: December 1, 2022
Time: 10:00 a.m.

Via tele/video conference

19 Fairfax Hotel, LLC, Debtor-in-Possession herein ("Debtor") submits this Status
20 Conference Report:

21 1. The within case was commenced by filing a voluntary chapter 11 petition on October 31,
22 2022. The Debtor is in possession of the estate. The duly appointed Responsible Individual for the
23 Debtor is Hitesh Patel.

24 2. Fairfax is owned by Hansaben Patel. She is the sole member of the Debtor and Hitesh
25 Patel is the Debtor's President. He is Hansaben Patel's son. The family of Jashvant and Hansaben
26 Patel own thirteen hotels in California. The history of the Patel family hotel business began in
27

1 1980 and over the years the family added multiple hotels and created different entities to own
2 them.

3 3. The Debtor owns real property located at 420 Eddy Street, San Francisco California,
4 which is commonly known as the Fairfax Hotel. The Fairfax Hotel is a residential hotel consisting
5 of 46 guestrooms, a resident manager's apartment, two offices, one kitchen, and common areas
6 including the basement and bathrooms. The Debtor does not operate the Fairfax Hotel, rather the
7 Fairfax Hotel has been leased to Swords to Plowshares, a California non-profit corporation since
8 2014. Swords to Plowshares subleases guestrooms for affordable and transitional housing for
9 residential use on a month-to-month basis.

10 The business, financial, and other problems that prompted the filing of this case

11 4. In June 2014, Jashvant Patel and Hansaben Patel as landlords and owners of the Fairfax
12 Hotel entered into a Lease Agreement for Fairfax Hotel with Swords to Plowshares as tenants
13 ("Lease Agreement"). Per this Lease Agreement, Swords to Plowshares has the right and option
14 to extend the initial one-year lease until 2029. Swords to Plowshares has occupied the Fairfax
15 Hotel ever since the lease was entered into.

16 5. The Debtor was formed in December 2016 in connection with a loan obtained from
17 Sterling Bank and Trust ("Sterling Bank") in 2017. On or about January 31, 2017, Jashvant Patel
18 and Hansaben Patel executed a grant deed granting the Fairfax Hotel to the Debtor.

19 6. On or about February 2, 2017, Sterling Bank and the Debtor entered into a Business Loan
20 Agreement whereby the Debtor agreed to borrow, and Sterling Bank agreed to loan, \$3,550,000
21 to the Debtor. The Debtor and Sterling Bank executed a Promissory Note in the principal amount
22 of \$3,550,000. The Debtor also executed a Deed of Trust and a Commercial Security Agreement.

23 7. Debtor understands that in February 2022, Sterling Bank sold and assigned its interest in
24 the loan with the Debtor to DCR Mortgage 10 Sub 3, LLC ("DCR").

25 8. On March 9, 2022, the Debtor received a Payment Notice from DCR stating that the
26 principal balance was \$3,260,467.95 and the Debtor was behind in two months payments of
27 principal and interest. Shortly thereafter, on March 24, 2022, the Debtor received a letter from
28

1 DCR's counsel deeming the loan to be default, accelerating the loan, and demanding payment in
2 full.

3 9. DCR subsequently noticed a foreclosure sale for November 1, 2022.

4
5 Issues concerning secured debt, employees, cash collateral, executory contracts.

6 10. Secured Debt. Aside from owing \$7,052 in real property taxes, the only other secured
7 creditor is DCR. Per the Notice of Trustee's sale, DCR claims it is owed \$4,079,779.21. This
8 claimed amount includes default interest, pre-payment penalties, late charges, and attorneys' fees.

9 11. Lease Agreement. As the Lease Agreement was executed prior to the date that the Debtor
10 was formed, the Lease Agreement was originally only between Jashvant and Hansaben Patel and
11 Swords to Plowshares. When the Debtor was formed in conjunction with the loan from Sterling
12 Bank and the Fairfax Hotel real property was deeded to the Debtor, the Lease Agreement was not
13 amended to make the Debtor a party to the Lease Agreement. Jashvant Patel passed away in
14 2019. Post-petition, Hansaben Patel assigned all of her interest in the Lease Agreement to the
15 Debtor so that the Debtor can receive rent from Swords to Plowshares in order to support a plan
16 and make payments on the loan to DCR.

17 12. Per the terms of the Lease Agreement, the Debtor does not operate or manage the Fairfax
18 Hotel. Swords to Plowshares is responsible for all aspects of Fairfax Hotel's operations and
19 management. The tenant is also responsible for contracting for and paying for the services
20 necessary for its use of the premises, including utilities. The Debtor as landlord is only
21 responsible for "Major Systems" functioning, including but not limited to maintaining the
22 foundation, roof, structural walls, windows, exterior walls or surfaces, fire safety system,
23 electrical service, boiler, and main plumbing system. In practice, Major Systems repair or upkeep
24 is only required once a year. The Debtor is also responsible for maintaining real property taxes
25 and general liability insurance.

1
2 13. Cash Collateral. DCR filed a Notice of Non-Consent to Use of Cash Collateral and
3 Demand for Segregation and Accounting of Cash Collateral Pursuant to 11 U.S.C. § 363(c).
4 Debtor understands that DCR does not consent to the use of cash collateral generated from the
5 Fairfax Hotel and demands that the Debtor account for and segregate cash collateral. The Debtor
6 has not received any rent post-petition from Swords to Plowshares. Debtor anticipates that
7 Swords to Plowshares will start making rent payments in December 2022. The rent received will
8 be segregated and will not be used until order of the Court and/or consent from DCR.

9 14. Employees. The Debtor does not have any employees.

10 Initial Debtor Interview and Meeting of Creditors

11 15. The Initial Debtor Interview occurred on November 22, 2022. The Debtor provided most
12 of the information requested by the United States Trustee's office and is following up to provide
13 additional materials prior to the 341 Meeting of Creditors.

14 16. The 341 Meeting of Creditors is scheduled for December 13, 2022.

15 Insurance

16 17. The Debtor is insured under the following policies with the following limits:
17 Commercial general liability (\$1,000,000 per each occurrence; damages to rented premise
18 \$1,00,000; medical expenses \$5,000; personal injury \$1,000,000; general aggregate \$2,000,000;
19 products \$2,000,000); Property (building \$3,000,000; contents \$20,000; business income
20 \$240,000).

21 Estate's needs for professionals

22 18. The Debtor anticipates filing an application to employ the law firm of Sullivan Blackburn
23 Pratt LLP shortly.

24 Post petition operations and revenue

25 19. The Debtor's source of income is rent to be received from Swords to Plowshares. Debtor
26 anticipates that Swords to Plowshares will start paying rent in December 2022 and going forward.
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28

1 Status of any litigation

2 20. There is no pending litigation against the Debtor. The pending foreclosure by DCR is
3 stayed.

4 Monthly Operating Reports

5 21. Debtor understands that it is required to file a monthly operating report for October 2022
6 that will be comprised of only one day given that the Debtor filed bankruptcy on October 31,
7 2022. That monthly operating report is late but is forthcoming.

8 Orders Entered Regarding Relief from Stay

9 22. No relief from automatic stay motions have been filed.

10 An outline of the proposed plan and schedule

11 23. Debtor anticipates filing a plan within the Effective Date and using this bankruptcy case
12 to restructure its secured debt to DCR.

13 24. Negotiations are currently taking place with the Patel family on whether to file a jointly
14 administered plan involving other hotel entities owned by the Patel Family and anticipated new
15 value contribution from the Patel family as part of an overall solution.

16 Unusual Developments that have occurred or are expected to occur

17 25. None.

18 Dated: November 28, 2022

SULLIVAN BLACKBURN PRATT LLP

19
20 /s/ Christopher D. Sullivan

Christopher D. Sullivan

21 Proposed Attorneys for Debtor-in-Possession
22 Fairfax Hotel, LLC